

Overview

Over the last four years, the Administration has produced the four biggest deficits in history, and the 2006 deficit of \$423 billion is projected to be the largest of all. Clearly, this Administration's policies continue to take the budget in the wrong direction. Aside from the large deficits, the budget reflects the Administration's decision to impose harmful cuts on important services for average Americans while protecting benefits for narrow interests. Finally, there is far less than meets the eye in some of the Administration's high-profile budget initiatives.

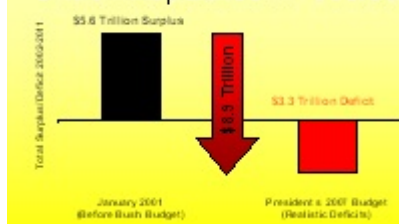
The Largest Deficit in History — The Administration estimates that the deficit for 2006 will be \$423 billion, the largest in history. This deficit is \$105 billion larger than the 2005 deficit of \$318 billion. The deficit for 2006 without using the Social Security surplus is even higher, over \$600 billion. Even if the Administration's 2006 estimate proves to be too large, it is clear that the deficits for 2003, 2004, 2005, and 2006 are the four largest in American history.

Another Record Deficit

The Last Four Years: The Four Largest Deficits in History

Rank	Year	Deficit
1 st	2006	-\$423 Billion
2 nd	2004	-\$412 Billion
3 rd	2003	-\$378 Billion
4 th	2005	-\$318 Billion

Surplus Declines \$8.9 Trillion Under Republican Policies



\$8.9 Trillion Budget Deterioration Under This

Administration — When this Administration took office, it inherited a projected ten-year surplus (2002-2011) of \$5.6 trillion. Based on a realistic estimate of the President's policies, that surplus has now become a \$3.3 trillion deficit over the same period of time, a dramatic fiscal reversal of \$8.9 trillion.

Administration Protects Narrow Interests While Cutting Services for Average Americans —

The Administration's budget makes shortsighted cuts to investments and services that typical Americans care about. The budget cuts funding for education, Medicare, Medicaid, and environmental protection, and increases fees paid by our veterans and Medicare premiums paid by some seniors. At the same time, the budget protects provisions benefitting narrow interests — such as \$10 billion in unnecessary Medicare subsidies to preferred provider organizations. It also includes another round of large tax cuts disproportionately benefitting the most fortunate.

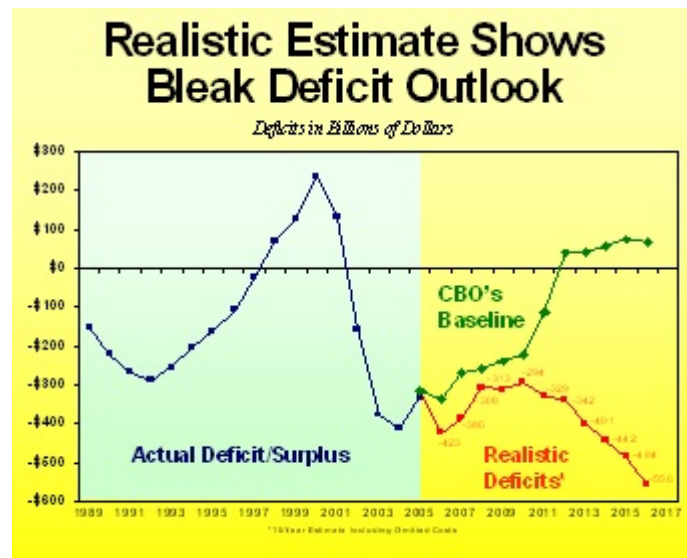
2007 Budget Summary

Total Revenues	\$2.416 trillion
Total Expenditures	\$2.770 trillion
Total Deficit	\$354 billion

Budget Contains Additional, Hidden Cuts to Critical Services — In addition to the cuts acknowledged in the budget, the Administration plans additional harmful cuts to a range of domestic services in the years after 2007, but does not include these cuts in the publicly released budget materials. An OMB computer printout not released with the budget shows account-level appropriations numbers beyond 2007 – information that has traditionally been included in the public budget materials. These figures reveal substantial cuts to domestic services beyond 2007, even for some programs that the Administration provides an increase for in 2007, like veterans' health care, mine safety, and nutrition assistance for women, infants, and children (WIC). Out-year cuts are also planned for programs cut or frozen in 2007, like some education programs and the National Institutes of Health. An Administration spokesman claims that these cuts do not represent Administration policy, but the numbers clearly confirm concerns that the overall five-year domestic appropriations levels in the budget will translate into harmful cuts to important services.

Administration Budget Promises: Less Than Meets the Eye — The budget fails to live up to some of the high-profile claims made by this Administration. For example, the Administration claims to be committed to providing affordable health care for Americans, but this budget includes increases in Medicare premiums, more cuts to Medicaid and Medicare, and a misguided plan for health savings accounts that will shift more of the cost of health care onto individual consumers. The budget also shows that there is less than meets the eye to the Administration's American Competitiveness Initiative. Of the \$5.9 billion provided for this initiative for 2007, more than three-quarters of the total goes to an extension of the existing research and development tax credit. The President also claims that he is a strong supporter of math and science education programs. At the same time, though, his budget cuts the funding that helps students attend college.

True Picture Is Even Worse Than Administration's Numbers Reveal — The Administration's budget does not reveal the full extent of the deficit problem that its policies have created.



First, the Administration's budget shows no deficit figures at all after the first five years, thus masking the \$1.5 trillion deficit impact (2012-2016) of the Administration's tax cuts and the \$631 billion deficit impact of the Administration's Social Security privatization plan over the same period of time.

Second, the budget omits a realistic estimate of the following costs:

- full repair of the Alternative Minimum Tax (AMT), which increases the deficit by \$844 billion over the next ten years if the Administration's tax cuts are extended;
- realistic costs for ongoing operations in Iraq and Afghanistan, which total \$298 billion over the next ten years beyond the amounts included in the President's budget, according to a Congressional Budget Office (CBO) scenario.

When these omitted costs, including debt service, are factored into the estimates, the deficit over the next ten years (2007-2016) is \$3.9 trillion, with triple-digit deficits never falling below \$294 billion per year.

Deficits Much Worse than Administration Acknowledges											
Unified Deficit in Billions of Dollars											
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2007-</u> <u>2016</u>
Bush Budget	-354	-223	-208	-183	-205						
Bush Budget Including Omitted Items	-386	-308	-313	-294	-329	-342	-401	-442	-484	-556	3,857